

**Business Day**[SUBSCRIBE](#) | [LOG IN](#)

U.S. Department Stores Tap Brakes on Stocking for Holiday Season



By REUTERS
NOVEMBER 7, 2017

CHICAGO — This holiday season, retailers are making a list, checking it twice, and then ordering less for U.S. shoppers.

With foot traffic at their stores in decline, department stores that would have stocked up for the biggest shopping season of the year months ago are still in the process of placing new orders, according to nearly a dozen sources including company officials, vendors who work with the retailers and consultants who advise such chains.

The strategy is aimed to keep their inventory costs down and avoid the experience of previous holiday seasons, when large piles of unsold stock led to deep markdowns that eroded profits. But these retailers risk losing sales if supplies run out at a time when many are struggling to keep up with Amazon.com Inc and a steady shift towards online shopping.

Macy's Inc, J.C Penney Co Inc Kohl's Corp Nordstrom Inc, Dillard's Inc and Hudson Bay Co's Lord & Taylor are among the retailers buying in smaller batches with shorter lead times this year and relying on a more dynamic demand forecasting process than in the past, according to sources familiar with these companies' practices.

ADVERTISEMENT

Macy's, Kohl's, Nordstrom, J.C. Penney declined to comment. Lord & Taylor said it is working on preparing a carefully selected merchandise assortment for the holiday season but did not share anything specific. Dillard's did not respond to a request for comment.

Keeping inventory levels low helps manage costs, and may also instill urgency in consumers to spend now rather than hold off on purchases in search of a better

deal, according to the sources. But it also risks alienating customers who may end up having less choice, and is also putting strain on vendors to deliver on shorter lead times, the sources added.

The high-stakes strategy takes a page from the playbook of Inditex SA-owned Zara, Hennes & Mauritz AB (H&M) and other so-called "fast fashion" retailers that consistently keep low inventories of trendy clothes and try to win customers with cheap prices.

For a graphic, click <http://reut.rs/2lEBkkT>

"I think in some sections the choice is limited this year like cashmere sweaters and sweaters in general," said Dakota Whitlow, a 46 year old marketing executive as she shopped for winter clothing at Macy's State Street store in Chicago.

ADVERTISEMENT

"But limiting choice is in many ways better than overcrowding the store with clothes, which makes it harder to shop," she added.

Traditionally, retailers lock in most of their purchases nine months to a year in advance. This year, retailers started placing a large portion of their holiday orders three to four months before the holiday season, and are refreshing fast-selling items within as little as six to eight weeks, vendors and consultants said.

"There is a big push from department stores across the board this year to cut down lead times and manage inventory tightly," said Robert D'Loren, chairman and CEO of U.S.-based Xcel Brands, which supplies branded apparel to chains like Lord & Taylor and Dillard's and private label clothing to other department stores.

"We are delivering orders on weekly cycles with plans that are six weeks out."

The risk for department stores is whether suppliers can keep up with the new approach.

ADVERTISEMENT

Department stores rely on vendors whose traditional supply chains are not built for a fast turnaround, because they handle orders for several brands. Fast-fashion chains, on the other hand, have designed their supply chain to shift on a week to week basis versus the traditional four for department stores and work with vendors who can deliver quickly on private label items they stock.

As a result, some smaller vendors of traditional department stores struggle to adapt to request for shorter lead times.

"We are refusing to take (last-minute) orders. We just don't have that kind of idle capacity in our factories, our production lines. Cargo delivery contracts are not

built to react that way," said a Bangladeshi supplier to J.C. Penney and Kohl's, who would only be quoted on condition of anonymity.

WILLING TO LOSE A SALE

So far this year, retailers have been willing to sacrifice some orders for tighter inventory management.

ADVERTISEMENT

"Between the risk of a lost sale and the risk of a loss of margin, department stores are willing to lose the sale this year," said Greg Portell, a consultant with AT Kearney who advises retail chains on strategy.

Retailers are optimistic about their new strategy. Macy's expects a "marked difference this holiday versus last" in the way it buys stock, Chief Executive Jeff Gennette said on an earnings conference call in August. "We definitely are buying closer in... to make sure we have the right goods in time for holiday, but not too far in advance.

To be sure, ordering closer to demand can help a retailer cope with weak consumer spending, but it cannot offset its negative impact altogether.

While consumer confidence has improved overall, the National Retail Federation cautioned in October that U.S. consumers will remain hesitant to spend until there is more certainty about policy changes on issues such as taxes and trade. The trade group estimated holiday sales for the U.S. retail industry will grow between 3.7-4.2 percent in 2017, from 3.75 percent in 2016.

ADVERTISEMENT

"(Retailers) simply don't want to be stuck with excess stock. It takes up working capital and that was okay when times were good but not when things are this tough," said Neil Stern, partner at McMillan Doolittle, a consultancy who works with retailers including department stores.

(Reporting by Nandita Bose in Chicago, Additional Reporting by Richa Naidu in Chicago; Editing by Greg Roumeliotis and Edward Tobin)

Most Popular on NYTimes.com

Air Force Error Allowed Texas Gunman to Buy Weapons



Texas Gunman Broke Child's Skull and Assaulted Wife in Troubled Life



Gunman Kills at Least 26 in Attack on Rural Texas Church



Cyclist Lost Her Job After Raising Middle Finger at Trump's Motorcade



Paradise Papers Shine Light on Where the Elite Hide Their Money



Is Landscaping Drama at the Root of Rand Paul's Assault?



OP-ED COLUMNIST

How to Reduce Shootings



It's Not Too Soon to Debate Gun Control



Air Travelers Resisting the 'Incredible Shrinking Airline Seat'



[Back to top](#)

[Home](#)

[World](#)

[U.S.](#)

[Politics](#)

[The Upshot](#)

[New York](#)

[Business Day](#)

[Technology](#)

[Sports](#)

[Opinion](#)

[Science](#)

[Health](#)

[Arts](#)

[Photos](#)

[Style](#)

[Video](#)

[Most Emailed](#)

[More Sections](#)

[Settings](#)

[Download the NYTimes app](#)

[Help](#) [Subscribe](#) [Feedback](#) [Terms of Service](#) [Privacy](#)

